

**JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON CAPITAL IMPROVEMENTS**



DHHS Relocation Options

Rod Davis

Department of Health and Human Services

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Background

- **July 2015, the State executed a contract for the sale of the 308-acre Dorothea Dix Campus to the City of Raleigh**
- **Contract allows DHHS to leaseback:**
 - **Eastern portion of the property for 10 years**
 - **Western portion of the property for 25 years**
- **Over 80% of DHHS staff is located on the eastern portion of Dorothea Dix Campus with a 10 year leaseback**
- **DHHS needs a new location by 2025**

SL 2015-241, Section 31.10.(a): Relocation Plan

- Required DHHS, in consultation with the Department of Administration (DOA), to develop a plan for relocating administrative personnel and resources of DHHS on Dorothea Dix Campus and on other property leased or owned by the State in the Greater Triangle Area to one site available to the State.
- DHHS submitted the relocation plan to the Joint Legislative Oversight Committee and the Fiscal Research Division on October 1, 2016

SL 2015-241, Section 31.10.(a): Relocation Plan

Relocation plan shall include at least:

- 1) The location to which the personnel and resources of the DHHS will be relocated.**
- 2) The square footage needed in order to accommodate the relocation.**
- 3) A statement of anticipated costs or benefits associated with the relocation.**
- 4) A schedule for implementation of the relocation plan.**
- 5) Identification of any potential obstacles to the relocation plan.**
- 6) Options for financing the relocation plan developed in conjunction with the State Treasurer and the State Controller.**

Consolidation Benefits of New Building

- **Improved work space due to flexible, open, and flowing work areas based on recent design concepts**
- **Greater communication, collaboration, innovation, effectiveness, and efficiencies**
- **Less travel time and costs**
- **Improved productivity**
- **Efficient maintenance operations and energy consumption**
- **Improved efficiencies in data systems operations**

Current DHHS Employee Locations

Location	Employees
Dorothea Dix Campus	1,944
Governor Morehead School	71
Bath Building	150
Cooper Building	195
Cotton Building	58
Leased Space	1,844
Total Employees	4,262

Current DHHS Leased Space in Greater Triangle Area

DIV	PROGRAM	ADDRESS	STAFF*	SF	COST
DHSR	Radiation Protection	5505 Creedmoor Rd	42	11,319	\$ 164,126
DMA	Consolidation	333 East Six Forks Rd, 1st Fl	21	9,986	\$ 184,242
DMA	Consolidation	333 East Six Forks Rd, 2nd Fl	69	14,025	\$ 213,736
DMA	Consolidation	333 East Six Forks Rd, 3rd Fl	69	14,025	\$ 257,920
DPH	Communicable Disease Branch	1200 Front Street, Ste. 104, 105 & 109	41	10,752	\$ 150,528
DPH	Communicable Disease Branch	1200 Front Street, St 103	3	968	\$ 13,552
DPH	Administration	5505, 5601, 5605 Six Fork Rd	305	139,030	\$ 2,203,626
DPH	Warehouse Space	5505 Six Forks Rd	-	1,750	\$ 14,207
DVR	Disability Determination Services	3301 Terminal Dr	420	168,049	\$ 2,314,035
SEC	Council on Developmental Disabilities	3125 Poplarwood Ct	14	4,353	\$ 69,648
SEC	NC FAST	79 TW Alexander Dr	616	95,602	\$ 2,309,428
	* Based on original lease agreement.	Subtotal	1,600	469,859	\$ 7,895,047
		Current Adjustment	244		
		TOTAL	1,844		

Space and Land Needs: Greater Triangle Area Employees

Total Greater Triangle Area Employees	4,475
Total Building Area	1,081,729 GSF
Total Parking Spaces	4,960

- Large Site:
 - Low-rise construction
 - 100% surface parking
 - Minimum of 70 acres
- Small Site:
 - High-rise construction
 - 33% surface and 67% structured parking
 - Minimum of 22 acres

Space and Land Needs: Dorothea Dix Campus Employees

Total Dorothea Dix Campus Employees	2,477
Total Building Area	637,933 GSF
Total Parking Spaces	2,744

- Large Site:
 - Low-rise construction
 - 100% surface parking
 - Minimum of 48 acres
- Small Site:
 - High-rise construction
 - 33% surface and 67% structured parking
 - Minimum of 14 acres

Location Considerations

- Easily accessible to the public
- Centrally located to the homes of DHHS employees
- Close to other State agencies located in downtown Raleigh
- Close to State Lab and Office of the Chief Medical Examiner facility
- Evaluation of nine different State-owned sites and one Town of Garner owned site

Financing Options Considered

- **Build-to-Own**
 - State financed with General Obligation Bonds @ 5.75% over 20 years
 - State financed with Special Indebtedness @ 6.00% over 20 years
- **Lease-to-Own**
 - Developer financed @ 6.50% over 20 years
- **Straight Lease**
 - Developer financing accounted for in lease rates

Build-to-Own Estimated Costs in 2025

- **All Greater Triangle Area Employees:**
 - **Estimated Initial Project Costs**
 - Large Site = \$487 Million
 - Small Site = \$614 Million
 - **Estimated Annual Operating Costs**
 - \$12 Million
- **Only Dorothea Dix Campus Employees:**
 - **Estimated Initial Project Costs**
 - Large Site = \$306 Million
 - Small Site = \$371 Million
 - **Estimated Annual Operating Costs**
 - \$7.7 Million

Estimated Repair and Renovation Costs

Greater Triangle Area		Dorothea Dix Campus Only			
Large Site	Small Site	Large Site	Small Site	Year	Items Covered
\$ 2,787,091	\$ 2,787,091	\$ 1,620,143	\$ 1,620,143	7	Painting
\$ 8,075,267	\$ 8,075,267	\$ 4,694,172	\$ 4,694,172	10	Carpet
\$ 3,427,770	\$ 3,427,770	\$ 1,992,571	\$ 1,992,571	14	Painting
\$ 24,894,199	\$ 19,985,002	\$ 15,811,206	\$ 15,181,120	20	Roofing, Carpet, & Heating & Cooling Equip
\$ 4,215,725	\$ 4,215,725	\$ 2,450,611	\$ 2,450,611	21	Painting
\$ 2,868,501	\$ 2,868,501	\$ 2,868,501	\$ 2,868,501	25	Heating & Cooling Equip
\$ 5,184,810	\$ 5,184,810	\$ 3,013,942	\$ 3,013,942	28	Painting
\$ 14,584,830	\$ 14,584,830	\$ 8,478,197	\$ 8,478,197	30	Carpet
\$ 6,376,662	\$ 6,376,662	\$ 3,706,769	\$ 3,706,769	35	Painting
\$ 72,000,000	\$ 68,000,000	\$ 45,000,000	\$ 44,000,000		

Estimated Lease-to-Own Payments (over 20 years)

- **All Greater Triangle Area Employees:**
 - Large Site = \$44 million
 - Small Site = \$56 million
- **Only Dorothea Dix Campus Employees:**
 - Large Site = \$28 million
 - Small Site = \$34 million

Note: 20 Year Period covers Years 2025-2045

Estimated Straight Lease Payments (over 40 years)

- **All Greater Triangle Employees:**
 - Large Site = \$35 million (year 2025), \$114 million (year 2065)
 - Small Site = \$39 million (year 2025), \$127 million (year 2065)
- **Only Dorothea Dix Campus Employees:**
 - Large Site = \$20 million (year 2025), \$65 million (year 2065)
 - Small Site = \$23 million (year 2025), \$75 million (year 2065)

Anticipated Schedule

- State Budget Approval July 2019
- Design Starts January 2020
- Construction Starts January 2022
- Construction Complete January 2025
- Move-In Complete July 2025

Estimated Cash Flow Needs (in Millions)

Scenario	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
All Greater Triangle Area - Large Site	\$ 3	\$ 5	\$ 10	\$ 72	\$ 139	\$ 167	\$ 91
All Greater Triangle Area - Small Site	\$ 4	\$ 7	\$ 13	\$ 93	\$ 178	\$ 205	\$ 114
Dorothea Dix Campus Only - Large Site	\$ 2	\$ 3	\$ 6	\$ 44	\$ 87	\$ 107	\$ 57
Dorothea Dix Campus Only - Small Site	\$ 2	\$ 4	\$ 8	\$ 55	\$ 107	\$ 126	\$ 69

Next Steps

- How large of a project is the state willing to undertake financially?
- DHHS and DOA to make recommendations on location.